



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

DOGM
MINERALS PROGRAM
FILE COPY

September 26, 1989

CERTIFIED RETURN RECEIPT REQUESTED
P 075 063 208

Mr. William D. Moeller
Chief Executive Officer
American Consolidated Mining Company
405 South 100 East, Suite One
Pleasant Grove, Utah 84062

Dear Mr. Moeller:

Re: Posting of Reclamation Surety for American Consolidated Mining Company,
Yellow Hammer Mine, M/045/019 & Clifton Exploration Project, E/045/052, Tooele
County, Utah

This letter is provided in response to a letter received September 16, 1989 from Mr. Mark K. Stringer. Mr. Stringer met with Scott Johnson and Marjie Anderson, of this office, on September 13, 1989. The meeting was held to discuss the procedures for filing a formal protest before the Board of Oil, Gas & Mining. The outstanding bonding concerns associated with American Consolidated's Yellow Hammer Mine and the Clifton Exploration Project were also discussed.

In his letter, Mr. Stringer outlined his understanding of the discussions held at the meeting. The following will clarify the Division's position and response to Mr. Stringer's letter.

1. The Division will require a separate reclamation surety estimate for the Yellow Hammer Mine and the Clifton Exploration Project. A reclamation estimate has already been prepared for the Yellow Hammer Mine (\$16,000). A reclamation surety estimate has not been prepared for the Clifton Exploration Project. We cannot treat both of these sites as one operation. These are entirely separate permitting issues. However, we do not object to the operator posting one surety to cover both projects.
2. Mr. Stringer asked that Mr. Johnson review the Clifton Exploration Project details and calculate a reclamation surety estimate for the project. Mr. Johnson indicated he could prepare a reclamation estimate provided there was adequate basic information in the permit application for the project. The application does not contain sufficient detailed information to enable the Division to prepare an accurate reclamation surety estimate.

On July 26, 1989, you hand delivered the original Notice of Intent for the Clifton Exploration Project to the Division. You were informed at that time that more detail would be required regarding the actual surface disturbance created on the patented lands. The maps provided, identifying the drill site locations and access roads, were not sufficient to determine the actual disturbed acreage. You were asked to provide a map similar to that prepared for the exploration work conducted on the adjacent BLM managed lands. You indicated you would contact the project geologist and provide the Division with an updated map as soon as possible.

On August 9, 1989, the Division sent you a certified letter with our formal review of your Clifton Exploration Project application. The application was determined incomplete. Supplemental information was requested regarding the affected acreage for the exploration project and a reclamation surety estimate. An August 21, 1989 deadline was established for receipt of the supplemental information. We are still awaiting the requested information.

The Division requests an updated topographic map which clearly identifies all disturbances created as part of the Clifton Exploration Project (see August 9th letter). If this information cannot be provided, then the Division will calculate a reclamation surety estimate based upon our best estimate of the total surface disturbance associated with this project. It is likely that this will be a conservative estimate.

3. Your request to provide stock in American Consolidated Mining Company, Inc. as a form of reclamation surety is not acceptable. Pursuant to Rule R613-002-111 and R613-004-113, the following surety forms are acceptable to the Division and Board of Oil, Gas and Mining:

Corporate surety bond, Federally-insured certificate of deposit, Cash, Irrevocable letter of credit, and an Escrow account.

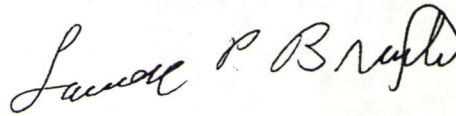
American Consolidated is hereby directed to post the \$16,000 reclamation surety for the Yellow Hammer Mine by October 13, 1989. If the surety is not received by this date, the Division will issue a formal Order to Show Cause to American Consolidated to appear before the Board of Oil, Gas and Mining. You are reminded that the August 3, 1989, Notice of Violation remains in effect regarding your possible liability for payment of civil penalties.

On September 11, 1989, the Division received notice of a BLM permitting decision. The decision conditionally approved American Consolidated's Plan of Operations for continued exploration development on public lands located in the Clifton Mining District (T8S, R17W, Sections 19 & 20). The Division acknowledges this approval, but has indicated that this area is only a part of the overall Clifton Exploration Project. We cannot issue our approval until we receive all of the requested information for the entire Clifton Project. This will include any additional reclamation surety that may be required for the patented land surface disturbances.

Page 3
William D. Moeller
M/045/019
September 26, 1989

Please contact the Division at the earliest possible date to inform us of your intended actions. Your immediate attention to these matters is encouraged.

Sincerely,

A handwritten signature in cursive script, reading "Lowell P. Braxton".

Lowell P. Braxton
Associate Director, Mining

jb

cc: Steve Brooks, BLM, Pony Express RA
Mark K. Stringer, Robison, Seiler & Glazier
Barbara Roberts, Asst. Attorney General
Dianne Nielson, DOGM
Wayne Hedberg, DOGM

MN3/83-85